

U.S. Flash

Industrial Production Strengthens on Mining & Manufacturing

- Total output increased 0.3% in June after a flat reading in May
- Manufacturing and mining both provided upward momentum
- Utilities output declined 0.1% for the third consecutive month

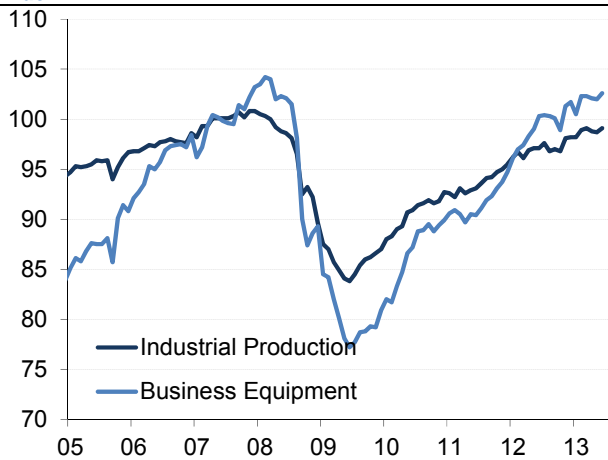
Industrial production rose in June by 0.3% as manufacturing shows increasing signs of strength and mining activity continues to be a significant force pushing the index upward. Capacity utilization also rose slightly to accommodate the surge in durable goods production, rising to 77.8% in June. Manufacturing gained 0.3% as both consumer and business oriented goods production rose for the month. Consumer goods, after declining for the past two months, turned around in June with a positive 0.5% reading as durable goods provided the majority of the increase. Nondurables also provided some fuel for the increase, climbing 0.3% due to increases in food, tobacco and paper products. Business equipment helped push the index higher as it rose 0.5% in June on better-than-expected industrial demand. Materials gained 0.2% for the second consecutive month, showing a stable outlook for materials designated for durable goods production while nondurable goods materials declined slightly in June.

Turning to the remaining industry groups, mining remains a significant source of growth and has been rising at a very obvious positive trajectory since early-2011. Up 0.8% in June, the sector has been providing strong growth for the past three months following some temporary weakness earlier in the year. As for utilities, output declined 0.1% but at a much slower pace compared to the drops seen in April and May.

Overall, June's report shows a rather mixed and broad positive sign for manufacturing and production. The total 0.3% rise was welcomed and the jump in durable goods demand is a strong sign that production should continue to grow. With other manufacturing indicators pointing toward expansion in the summer months and new orders growing, there are signs that 2H13 will be in line with our forecasts for stronger activity.

Chart 1

Industrial Production Index



Source: Federal Reserve Board

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